TOGUT, SEGAL & SEGAL LLP
Bankruptcy Conflicts Counsel for Delphi Corporation, et al.,
Debtors and Debtors-in-Possession,
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000
Neil Berger (NB-3599)
Anthony M. Vassallo (AV-3169)

Delphi Legal Information Hotline:
Toll Free: (800) 718-5305
International: (248) 813-2698

Delphi Legal Information Website:
http://www.delphidocket.com

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re                                       :       Chapter 11
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   DELPHI CORPORATION, et al.,              :       Case No. 05-44481 (RDD)
                                            :
                                Debtors.    :       (Jointly Administered)
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STIPULATION AND ORDER TO PERMIT DELPHI CORPORATION AND SPECMO ENTERPRISES, INC. TO SETOFF MUTUAL PREPETITION OBLIGATIONS UNDER SECTION 553 OF THE BANKRUPTCY CODE AND TO RESOLVE MOTION FOR RELIEF FROM AUTOMATIC STAY

WHEREAS, on October 8, 2005 (the "Initial Filing Date"), Delphi

Corporation ("Delphi") and certain of its U.S. subsidiaries (the "Initial Filers") filed

voluntary petitions for reorganization relief under chapter 11 of title 11 of the United

States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"), in the United

States Bankruptcy Court for the Southern District of New York (the "Bankruptcy

Court"); and

WHEREAS, on October 14, 2005, three additional U.S. subsidiaries of

Delphi (together with the Initial Filers, collectively, the "Debtors") filed voluntary

petitions in the Bankruptcy Court for reorganization relief under the Bankruptcy Code;

and

WHEREAS, the Debtors continue to operate their businesses and manage

their properties as debtors-in-possession pursuant to section 1107(a) and 1108 of the

Bankruptcy Code; and

WHEREAS, the Bankruptcy Court entered orders directing the joint

administration of the Debtors' chapter 11 cases (Docket Nos. 28 and 404); and

WHEREAS, on October 17, 2005, the Office of the United States Trustee

appointed an official committee of unsecured creditors; and

WHEREAS, no trustee or examiner has been appointed in the Debtors'

cases; and

WHEREAS, the Bankruptcy Court has jurisdiction over this matter

pursuant to 28 U.S.C. §§ 157 and 1334, venue is proper pursuant to 28 U.S.C. §§ 1408

and 1409, and this matter is a core proceeding under 28 U.S.C. § 157(b)(2); and

WHEREAS, on October 28, 2005, the Bankruptcy Court entered a final

order authorizing the Debtors to, among other things, obtain postpetition financing,

utilize cash collateral, and grant adequate protection to prepetition secured parties (the

"Final DIP Order"); and

WHEREAS, paragraph 18 of the Final DIP Order establishes, among other things, procedures for creditors to assert setoff and/or recoupment rights; and

WHEREAS, on October 12, 2005, Specmo Enterprises, Inc. (the "Claimant") filed a motion (the "Demand") [Docket No. 284] for relief from the automatic stay for authority to exercise a setoff of prepetition claims and debts between Delphi and Claimant; and

WHEREAS, in the Demand, Claimant alleges that it owes Delphi the amount of $367,429.97 for prepetition services and/or goods provided by Delphi (the "Payable"); and

WHEREAS, in the Demand, Claimant alleges that Delphi owes Claimant the amount of $528,328.93 for prepetition services and/or goods (the "Receivable"); and

WHEREAS, after arm's length negotiations, Delphi and Claimant (together, the "Parties") have reconciled the amount of the Receivable and the amount of the Payable, as set forth in the attached Exhibit "1"; and

WHEREAS, the Parties have agreed to settle and resolve the Demand upon the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the Parties hereto hereby agree and stipulate as follows:

1.   This Stipulation and Order shall become effective on the Effective Date, as defined below. This Stipulation and Order constitutes an agreement between the parties hereto immediately upon the date of its execution ("Execution Date").

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Consequently, during the period between the Execution Date and the Effective Date, the

Parties agree that this Stipulation and Order shall constitute a binding agreement and

that they shall do nothing contrary to its terms.

2.   The "Effective Date" of this Stipulation and Order shall be the date

on which the Bankruptcy Court approves this Stipulation and Order and such Order

becomes final and not subject to further appeal; provided, however, that if the

Bankruptcy Court shall enter an Order declining to approve this Stipulation and Order,

then this Stipulation and Order shall become null and void at that time.

3.   Exhibit "1" sets forth a full and complete schedule of the invoices

(the "Invoices") and amounts of the Receivable and Payable, respectively, that are the

subject of the Demand.

4.   Upon the Bankruptcy Court's approval of this Stipulation and

Order, Claimant shall be authorized to set off $367,430, representing the reconciled

amount of the Receivable, against the amount of the Payable pursuant to section 553 of

the Bankruptcy Code (the "Setoff") and paragraph 18 of the Final DIP Order.

5.   As the exercise of the Setoff results in a balance due by Delphi,

Claimant may file in these Chapter 11 cases a general unsecured proof of claim for such

amount (the "Claim"), which Claim shall be filed by the later of: (i) any applicable

deadline to file proofs of claim established by the Bankruptcy Court or (ii) 30 days after

the Effective Date. Nothing contained herein constitutes any waiver of any right of the

Debtors or any other party-in-interest to examine and/or object to the Claim.

6.   Except for the Setoff and the settlement memorialized by this

Stipulation and Order, the Debtors and Claimant retain all of their other rights, claims,

and defenses. For greater certainty, the Parties reserve their rights regarding any

outstanding issues or claims that may relate to, or arise from, the Invoices.

7.   This Stipulation and Order may not be modified, amended, or

terminated, nor any of its provisions waived, except by an agreement in writing signed

by all of the Parties.

8.   The agreements, terms, provisions, and conditions contained in this

Stipulation and Order shall be binding upon, and inure to the benefit of, the Parties and

their respective legal representatives, predecessors, successors, and assigns, including

any trustee appointed in these chapter 11 cases.

9.   It is expressly understood and agreed that the terms hereof,

including the recital paragraphs, are contractual; that the agreement herein contained

and the consideration transferred hereunder is to compromise the Demand and to avoid

litigation; and that no statement made herein, payment, release, or other consideration

given shall be construed as an admission by the Parties of any kind or nature

whatsoever.

10.   This Stipulation and Order constitutes the entire agreement

between the Parties with respect to the resolution of the Setoff and supersedes all other

prior agreements and understandings, both written and oral, between the Parties with

respect to the Setoff.

11.   The signatories below represent that they are authorized to enter into this Stipulation and Order.

12.   This Stipulation and Order may be executed in counterparts, any of which may be transmitted by facsimile, and each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[concluded on following page]

13.   The Bankruptcy Court shall retain original and exclusive

jurisdiction over the Parties to interpret and enforce the terms of this Stipulation and

Order and to resolve any disputes in connection herewith.

Dated: New York, New York
            May 31, 2006

                    DELPHI CORPORATION, et al.,
Debtors and Debtors-in-Possession,
By their Bankruptcy Conflicts Counsel,
TOGUT, SEGAL & SEGAL LLP,
By:

/s/Neil Berger
NEIL BERGER (NB-3599)
A Member of the Firm
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000

Dated: Bloomfield Hills, Michigan
            May 19, 2006

SPECMO ENTERPRISES, INC.,
By its Attorneys,
STROBL CUNNINGHAM & SHARP, PC,
By:

/s/Gary H. Cunningham
GARY H. CUNNINGHAM
300 East Long Lake Road
Bloomfield Hills, MI 48304
(248) 540-2300

SO ORDERED

This <u>19th</u> day of <u>June</u>, 2006
in New York, New York

_____<u>/s/Robert D. Drain</u>_____
HONORABLE ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE